EXHIBITS REFERENCED IN DECLARATION OF CARTER L. DUTCH

Case 1:01-cv-12257-PBS Document 3385-2 Filed 11/17/06 Page 2 of 54

SCHERING CORPORATION

2000 GALLOPING HILL ROAD



KENILWORTH, N.J. 07033

TELEPHONE: (908) 298-4000

March 4, 2002

Patrick Reilly
Co-Director Pharmacy Services
Fallon Clinic
100 Hartwell St.
West Boylston, MA 01583

Re: Staff Model HMO Purchase Agreement

Dear Mr. Reilly,

At the request of David Canepa, Managed Care Area Manager, Schering Corporation is pleased to send to you for your review and approval two originals of the above-referenced Purchase Agreement between Schering Corporation and Fallon Clinic Pilgrim Health Care, Inc. – Fallon Clinic Staff.

If this Purchase Agreement is acceptable to you, please arrange to have both enclosed originals executed by an authorized representative of Fallon Clinic and return same to my attention at the above address. Upon receipt of the signed agreements, I will arrange for approval and execution of both documents by an authorized representative of Schering Corporation and return one fully executed original to your attention for your files.

This letter and the enclosed Purchase Agreement do not constitute an offer subject to acceptance and the enclosed Purchase Agreement shall not become effective unless and until the Purchase Agreement is signed by Schering Corporation.

Thank you for your continued interest in the Schering/Key product line.

Sincerely,

forcy Ken-Kus he for Craig Masker Craig Masker

Manager, Contracts and Pricing

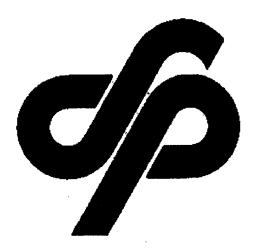
Enclosures

cc: David Canepa

Defendants' Exhibit

2900

01-12257 - PBS



Staff Model HMO Purchase Agreement Schering Corporation

FALLON CLINIC

Prepared for: Fallon Clinic 100 Hartwell St. West Boylston, MA 01583

Prepared by:
David Canepa
Managed Care Account Manager
Schering Corporation
March 4, 2002

PURCHASE AGREEMENT

This Purchase Agreement is between Fallon Clinic, ("Fallon Clinic"), having a place of business at 100 Hartwell St., West Boylston, MA 01583 and Schering Corporation ("Schering"), a Delaware corporation, having a place of business at 2000 Galloping Hill Road, Kenilworth, New Jersey 07033.

This Agreement sets forth the terms and conditions pursuant to which Schering will provide pricing to Fallon Clinic staff model health maintenance organization (the "Fallon Clinic Staff Model HMO") based, in part, on the actual dispensing of those Schering products specified in Exhibit B ("Products") to Eligible Members (as defined below) by the Fallon Clinic Staff Model HMO.

Fallon Clinic and Schering agree as follows:

ARTICLE 1. DEFINITIONS:

- 1.1 "Eligible Member" as used herein shall mean an individual enrolled in the Fallon Clinic Staff Model HMO; provided, however, that "Eligible Members" shall not include individuals who are also enrolled in other organizations that either (i) purchase any of the Products other than pursuant to this Agreement; or (ii) receive rebates based on utilization of the Products by any such individual.
- 1.2 "Formulary" as used herein shall mean a listing of the drugs Fallon Clinic has reviewed, approved and recommended for use at the Fallon Clinic Staff Model HMO.
- 1.3 "Net Direct Price" as used herein shall mean the price published from time to time by Schering as its net direct price for each Product.

ARTICLE 2. PRODUCT SALE

- 2.1 Sale of Product. Schering shall make the Products available to the Fallon Clinic Staff Model HMO through Cardinal Distribution, Inc. and Mckesson HBOC (the "Prime Vendors"). Fallon Clinic shall notify Schering in writing of any change to its Prime Vendor, which Prime Vendor shall be mutually acceptable to Fallon Clinic and Schering. Schering shall report to the Prime Vendor the pricing to which the Fallon Clinic Staff Model HMO is entitled for the Products pursuant to this Agreement. The actual price for the Products paid by the Fallon Clinic Staff Model HMO to the Prime Vendor shall be as agreed upon by Fallon Clinic and its Prime Vendor.
- 2.2 **Product Returns.** All Product returns are subject to Schering's Institutional Returned Goods Policy attached hereto as **Exhibit A**.
- 2.3 Schering Warranties and Covenants. Schering warrants that all Product sold to the Fallon Clinic Staff Model HMO pursuant to this Agreement conforms to the descriptions set forth in each such Product's respective labeling provided that such units of the Products are used by the Fallon Clinic Staff Model HMO in accordance with such labeling.

ARTICLE 3. OBLIGATIONS OF FALLON CLINIC STAFF:

- 3.1 Formulary. In order to obtain the discounted pricing on each Product as detailed in Exhibit B, the Fallon Clinic Staff Model HMO must list such Product on its Formulary with the Formulary status for such Product detailed in Exhibit B. In the event the Fallon Clinic Staff Model HMO fails to satisfy the Formulary listing requirements established pursuant to this Section 3.1 for any Product, the Fallon Clinic Staff Model HMO will not be entitled to and shall not receive the discounted pricing for such Product detailed in Article 4.
- 3.2 Own Use. Fallon Clinic hereby warrants and agrees that all Product purchased pursuant to this Agreement shall be utilized solely by the Fallon Clinic Staff Model HMO for the treatment of Eligible Members of the Fallon Clinic Staff Model HMO and not for resale or distribution. Fallon Clinic acknowledges and agrees that Schering is not required to provide a discount for any Product sold or dispensed to anyone who is not an Eligible Member of the Fallon Clinic Staff Model HMO.
- 3.3 Audit. Fallon Clinic agrees to institute and conduct on a regular basis random audits of the Fallon Clinic Staff Model HMO to ensure that actual dispensing of the Products complies with the terms of this Agreement, including the restrictions of Section 3.2 hereof. Adjustments as a result of such audits shall be refunded to Schering no later than thirty (30) days after completion of such audit. Fallon Clinic shall at all times keep and maintain accurate books, records and files with respect to the Products, any reports submitted to Schering as part of the random audits completed pursuant to this Section, and all information relating to the purchase and dispensing of the Products pursuant to this Agreement. Fallon Clinic agrees that Schering shall have the right to conduct inspections and/or audits of Fallon Clinic's and/or the Fallon Clinic Staff Model HMO's books, records, and files from time to time, and that within ten (10) days following Fallon Clinic's receipt of a written request from Schering, the Fallon Clinic Staff Model HMO and/or Fallon Clinic shall make such information (and such other information necessary to confirm such information) available in a manner satisfactory to Schering, for inspection and/or audit by Schering's representatives or its designated auditors during regular business hours. Schering agrees that any such inspections and/or audits shall be subject to the requirements of state and federal law regarding the confidentiality of medical and prescription records.

ARTICLE 4. OBLIGATIONS OF SCHERING:

- 4.1 Discount. Subject to compliance with all of the terms and satisfaction of all of the conditions set forth in this Agreement, and subject further to the provisions of Section 4.2 hereof, Schering shall provide Fallon Clinic with the discounted pricing set forth on Exhibit B for each of the Products dispensed by the Fallon Clinic Staff Model HMO for the treatment of Eligible Members. All discounts pursuant to this Agreement shall be based on Schering's Net Direct Price for Products.
- 4.2 Price Increases. Anything to the contrary herein notwithstanding, Schering hereby reserves the right in its sole discretion to increase the prices for the Products set forth on Exhibit B at any time to reflect or account for comparable increases made to its published Net Direct Price list. If Fallon Clinic receives discounts in excess of the discount percentages off Net Direct Price listed in Exhibit B, Schering has the right to recover such excess discounts.

- 4.3 Eligibility for Discounts. The Fallon Clinic Staff Model HMO's continued access to the Product discount for each Product is contingent upon Fallon Clinic complying with all of its obligations and responsibilities pertaining to such Product as detailed in this Agreement. Failure on the part of Fallon Clinic to fulfill its responsibilities or satisfy the conditions as set forth herein for a Product shall be grounds for Schering to reduce the discount for such Product to zero percent.
 - 4.4 Ineligibility for Discounts. No discounts will be provided hereunder for:
 - (a) any Product which is listed on the Formulary other than as set forth in this Agreement;
 - (b) any units of Product for which Schering is obligated to pay rebates or provide discounts or other price reductions to any other party or governmental entity or with respect to any government health program including, without limitation Medicaid, Medicare or similar programs; and/or
 - (c) any units of Product which are not used or dispensed as required by this Agreement.
- 4.5 Excess Discounts. If Schering reasonably determines as a result of an inspection and/or audit of Fallon Clinic (or the Fallon Clinic Staff Model HMO), any notice to Schering or other information that (i) Fallon Clinic has not satisfied all of the conditions in order to obtain the discounts set forth in this Agreement, (ii) any Product purchased hereunder shall have been sold, dispensed or administered for purposes other than the Fallon Clinic Staff Model HMO's own use as set forth in Section 3.2, or (iii) all or any part of the discounts previously granted by Schering to the Fallon Clinic Staff Model HMO hereunder are not required under this Agreement, then, in each such case, Fallon Clinic shall pay to Schering an amount equal to all or any portion of such excess discount granted hereunder with respect to the Product quantities purchased by the Fallon Clinic Staff Model HMO within thirty (30) days of being notified of such excess discount by Schering.
- 4.6 Adjustment to Discounts. Schering reserves the right to make adjustments to the discounted pricing available hereunder based on the introduction of generic competition, a new product entry, or implementation of a MAC (Maximum Allowable Cost) program. Should Schering cease marketing/manufacturing of any of the Products, or any package size of any of the Products, then this Agreement shall terminate with regard to the Product or such package size as the case may be
- 4.7 **Product Availability.** Subject to the provisions of the following sentence, Schering will use its reasonable commercial efforts to make all Products available to Fallon Clinic during the term of this Agreement. It is understood that some Products may be discontinued or unavailable during the term of this Agreement. Schering use its reasonable commercial efforts to Notify Fallon Clinic of such discontinuance or unavailability at the earliest date possible.

ARTICLE 5. TERM AND TERMINATION:

5.1 Term. The term of this Agreement shall commence thirty (30) days after execution by Schering. Unless sooner terminated as provided for herein, this Agreement shall remain in effect until March 31, 2004 (the "Term"). The Term may be extended only by a written amendment to this Agreement which is signed by both Fallon Clinic and Schering.

- 5.2 Termination Without Cause/Termination for Cause. This Agreement may be terminated by either party (a) without cause upon not less than 30 days' prior written notice to the other party, (b) if the other party is in breach of its obligations, representations or warranties set forth in this Agreement which breach is not cured within 10 days after receipt of written notice of such breach from the non-breaching party, (c) upon enactment of federal, state or local legislation, rules or regulations (collectively "Laws"), or the issuance of an interpretation of existing Laws, which, in the reasonable opinion of either party, could have a material adverse impact on such party and/or any of its affiliates (economic or otherwise) if the Agreement remained in effect unmodified or (d) upon the insolvency, dissolution, liquidation, receivership or other similar reorganization of either party, whether voluntary or involuntary.
- 5.3 **Survival.** Termination of this Agreement for whatever the reason shall not affect the rights and obligations of the parties accruing prior to the effective date of termination.

ARTICLE 6. GENERAL PROVISIONS:

- 6.1 Confidentiality: Fallon Clinic shall maintain the confidentiality of all the terms and conditions of this Agreement throughout the duration hereof and for a period of three (3) years following the expiration or termination of this Agreement. It is agreed by both parties hereto that the confidentiality of an Eligible Member's personal identifying information and medical report must be protected. Fallon Clinic and Fallon Clinic Staff Model HMO are each prohibited from sending to Schering reports or other information which contain the names, address, telephone number or any other information that would, in the reasonable estimation of the parties hereto, enable Schering to establish the identity of an Eligible Member. Schering may review reports with full Eligible Member names for auditing purposes only if the report remains on Fallon Clinic's premises and no copies or transcript of the Eligible Member's report are made by Schering.
- 6.2 Use of Health Plan Name: Schering may not use the name of Fallon Clinic or the Fallon Clinic Staff Model HMO for any advertisement or publicity or any other reason unless such use has been reviewed and approved by Fallon Clinic prior to use or publication.
- 6.3 **Notices:** Any notice required or permitted hereunder shall be given in person or sent by first class, certified mail:

To Fallon Clinic at:

To Schering at:

Fallon Clinic 630 Plantation Street Worcester, MA 01605 ATTN: Patrick Reilly Schering Corporation 2000 Galloping Hill Road Kenilworth, New Jersey 07033 ATTN: Contracts & Pricing

or to such other address or to such other person as may be designated by written notice given from time to time during the term of this Agreement by one party to the other.

6.4 Force Majeure: Noncompliance with the obligations of this Agreement due to force majeure, laws or regulations of any government, war, civil commotion, destruction of production

facilities and materials, fire, earthquake or storm, labor disturbances, shortage of materials, failure of public utilities or common carriers, and any other causes beyond the reasonable control of the parties, shall not constitute breach of contract.

- 6.5 Non-Assignment: Neither party shall have the right to assign this Agreement to a third party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Provided, however, that either party may assign its duties, rights and interests under this Agreement, in whole or in part, to its subsidiaries or affiliates without such prior written consent. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve either party of responsibility for the performance of any obligations which have already accrued. This Agreement shall inure to the benefit of and be binding upon each party, its respective successors and permitted assigns.
- 6.6 Invalidity/Governing Law: If any provision of this Agreement is finally declared or found to be illegal or unenforceable by a court of competent jurisdiction, both parties shall be relieved of all obligations arising under such provision, but if capable of performance, the remainder of this Agreement shall not be affected by such declaration or finding. This Agreement shall be governed by, and enforced and construed in accordance with, the laws of the State of New Jersey without giving effect to the conflicts of laws provision thereof.
- 6.7 Indemnification: Each party hereto ("Indemnifying Party") shall indemnify and hold harmless the other party, its affiliates, and its and their respective officers, directors, agents and employees from and against any and all liability, loss, proceeding, action, damage, cost or expense of any kind, including without limitation reasonable attorneys' fees and expenses, arising out of or based upon the negligent or willful acts or omissions of the Indemnifying Party or its officers, directors, agents or employees in the performance of its or their obligations pursuant to this Agreement.
- 6.8 Compliance With Laws: Fallon Clinic shall, and shall cause the Fallon Clinic Staff Model HMO to, comply with all applicable laws in connection with this Agreement, including without limitation the reporting requirements and applicable provisions of 42 U.S.C. §1320a-7b (prohibiting illegal remuneration), by fully and accurately disclosing all discounts contained in this Agreement in any filings or claims made under any Federal healthcare program, including the Medicare and Medicaid programs.
- 6.9 Entire Agreement; Amendment: This Agreement, including the Exhibits attached hereto, contains a total integration of all rights, obligations and agreement of both parties with regard to the subject matter hereof. There are no extrinsic conditions, collateral agreements or undertakings of any kind regarding the subject matter hereof, and it is the express intentions of both parties that any and all prior or contemporaneous agreements, promises, negotiations or representations, either oral or written, relating to the subject matter hereof that are not expressly set forth herein are to have no force, effect, or legal consequences of any kind. This Agreement may only be amended by a writing signed by both parties hereto.

Caharina	Came	amatian.
Schering	Corbi	Dianon.

By: Craig Masker
Title: Manager, Contracts & Pricing

Date: __

Fallon Clinic:

EXHIBIT A

INSTITUTIONAL RETURNED GOODS POLICY/RX

All returns of merchandise for credit over \$10,000 must have the prior approval of an authorized Representative and must be forwarded prepaid directly to Schering Corporation, 1011 Morris Avenue, Union, New Jersey 07083.

- a. Credit will be allowed on unopened and undamaged packages at current contract prices as of date of return (except merchandise sold on a special promotion offer, in which case the invoice price will apply) as follows:
 - 1. For prescription products not purchased on contract, returns made within 3 months after a price increase will be credited at the price prior to the price increase.
 - 2. Dated products will be given full credit up to one year after expiration. No credit will be issued for products returned more than one year after expiration.
 - 3. Based on Schering's judgement, packages that are partially filled or show other evidence of being opened, will receive partial credit.
- b. The above adjustments will appear on Schering's credit memoranda as follows:
 - 1. Items given full credit will show as individual line extension.
 - 2. Items currently in the line for which only partial credit has been allowed will be shown as separate line extensions.
 - 3. Old discontinued items receiving partial credit will be included under "Miscellaneous Product".
- c. Manufacturers are expressly forbidden (under the Federal Food, Drug, and Cosmetic Act) from returning expired dated items to customers. Such items returned to Schering will be destroyed. Schering also reserves the right to destroy without credit packages that are unfit or unsafe for sale or do not comply with applicable law.
- d. Consideration will be given to adjustments for losses suffered in a natural disaster (flood, hurricane, tornado, etc.) not covered by insurance. Your Schering representative will be glad to assist you in such emergencies.
- e. Schering representatives are not permitted to modify any of the above policies.
- f. Schering reserves the right to change, alter or amend this policy by giving (30) thirty days notice.

This returned goods policy does not apply to goods returned by persons other than the original wholesaler or hospital purchaser of the goods, or to goods which have been repacked in other than original Schering/Key containers.

EXHIBIT B - PRICING

NDC	COMPANY PRODUCT	SIZE	% DISCOUNT FROM NDP	(1) CONTRACT PRICE	(2) FORMULARY STATUS
L			1 KOM NO	1 Idez	511100
00005126401	CLARINEX TABLETS	100	20.0%	\$146.11	LISTED
	CLARINEX TABLETS CLARINEX TABLETS	500	20.0%	\$730.57	LISTED
	CLARINEX TABLETS	100 U/D	20.0%	\$146.11	LISTED
	CLARINEX TABLETS	30	20.0%	\$43.83	LISTED
	CLARITIN SYRUP	16OZ	26.0%	\$96.56	LISTED
	CLARITIN TABLETS	100	20.0%	\$186.70	LISTED
	CLARITIN TABLETS	100 U/D	20.0%	\$186.70	LISTED
	CLARITIN TABLETS	30	20.0%	\$55.99	LISTED
	CLARITIN TABLETS	500	20.0%	\$933.40	LISTED
00085057102		2ML	15.0%	\$100.64	LISTED
00085037102		6 X 0.5ML	15.0%	\$181.17	LISTED
00085064705		6x1ML	15.0%	\$181.17	LISTED
00085012002		1ML	15.0%	\$50.32	LISTED
00085012005		1ML	15.0%	\$0.00	LISTED
00085119102		6 X 0.5ML	15.0%	\$301.95	LISTED
00085117902		6 X IML	15.0%	\$603.92	LISTED
00085111001		1ML	15.0%	\$181.17	LISTED
00085116801		6MIU/1ML	15.0%	\$181.17	LISTED
00085028502		5ML	15.0%	\$251.63	LISTED
00085113301		10MIU/1M L	15.0%	\$251.63	LISTED
00085053901	INTRON A 50MIU	1ML	15.0%	\$503.26	LISTED
00085035901	INTRON A Solution Multidose Pens 10MIU	6x10MIU/.2 ml	15.0%	\$603.92	LISTED
00085124201	INTRON A Solution Multidose Pens 3MIU	6x3MIU/.2	15.0%	\$181.17	LISTED
00085123501	INTRON A Solution Multidose Pens SMIU	6x5MIU/.2 ml	15.0%	\$301.95	LISTED
00085119701	NASONEX NASAL SPRAY	17GM	35.0%	\$33.38	LISTED
	NITRO-DUR INST .IMG	30	60.0%	\$19.09	LISTED
00085331035	NITRO-DUR INST .2MG	30	60.0%	\$19.09	LISTED
00085331535	NITRO-DUR INST .3MG	30	60.0%	\$21.71	LISTED
00085332035	NITRO-DUR INST .4MG	30	60.0%	\$21.71	LISTED
	NITRO-DUR INST .6MG	30	60.0%	\$23.55	LISTED
00085081935	NITRO-DUR INST .8MG	30	60.0%	\$23.55	LISTED

EXHIBIT B - PRICING

NDC	COMPANY PRODUCT	SIZE	% DISCOUNT FROM NDP	(1) CONTRACT PRICE	(2) FORMULARY STATUS
		1	15.00	705.66	LICTED
00085061402	PROVENTIL INHALATION	17G	15.0%	\$25.66	LISTED
	AEROSOL	170	15.0%	\$22.30	LISTED
00085061403	PROVENTIL INHALATION	17G	15.0%	. \$22,30	LISTED
	REFILL	20ML	15.0%	\$15.94	LISTED
	PROVENTIL SOLUTION			\$36.32	LISTED
	PROVENTIL SOLUTION	25X3ML	15.0%		LISTED
	REBETRON 1000/MDV	1000	10.0%	\$603.24	
	REBETRON 1000/PAK-3	1000	10.0%	\$603.24	LISTED
00085125802	REBETRON 1000/PEN	1000	10.0%	\$603.24	LISTED
00085123601	REBETRON 1200/MDV	1200	10.0%	\$666.57	LISTED
	REBETRON 1200/PAK-3	1200	10.0%	\$666.57	LISTED
	REBETRON 1200/PEN	1200	10.0%	\$666.57	LISTED
	REBETRON 600/MDV	600	10.0%	\$494.03	LISTED
	REBETRON 600/PAK-3	600	10.0%	\$494.03	LISTED
	REBETRON 600/PEN	600	10.0%	\$494.03	LISTED
	VANCENASE AQ DS	19G	27.5%	\$34.87	LISTED
	VANCENASE NASAL	7G	25.0%	\$29.47	LISTED
00,003004702	POCKETHALER				
00085073602	VANCERIL INHALER	7G	25.0%	\$29.95	LISTED

- (1) Contract Price represents the contract price calculated based upon the discount percentage listed above off Schering's Net Direct Price on March 1, 2002. See Article 4.2 with regards to commercial price increases.
- (2) With respect to each Schering Product selected, non-formulary products shall be NDC blocked and/or in a third or higher tier with a co-pay arrangement differential of at least \$15.

AMENDMENT PURCHASE AGREEMENT

AMENDMENT (the "Amendment") to Purchase Agreement dated March 4, 2002, between Fallon Clinic, ("Fallon Clinic"), having a place of business at 100 Hartwell St., West Boylston, MA 01583 and Schering Corporation ("Schering"), a Delaware corporation, having a place of business at 2000 Galloping Hill Road, Kenilworth, New Jersey 07033.

- 1. This Amendment supplements and amends the Purchase Agreement (Contract # 200219) as heretofore supplemented and amended ("the Agreement").
- 2. This Amendment shall become effective thirty (30) days after execution by Schering. This Amendment will remain in effect through March 31, 2004, unless sooner terminated in accordance with the Agreement.
- 3. The Agreement is hereby amended to add the Schering Products Peg-Intron and Rebetol to Exhibit B of the Agreement as set forth attached hereto.
- 4. Except as modified in this Amendment, the Agreement and all of its terms and conditions shall remain in full force and effect.

SCHERING CORPORATION

Crois Maskar

Craig Masker

Manager, Contracts and Pricing

Dated: 3//7/2

Fallon Clinic

sy. Savare F

Name: MINUE RETURN

Title: Co- DIRECTOR, & hARMAN

Dated: 3/7/02

MB

Defendants' Exhibit

2901

01-12257 - PBS

•	Case 1:01-cv-12257-PBS	Document 3385-2	Filed 11/17/06	Page 14 of 54	
	•	EXHIBIT A			
•				·	
					÷
		·			
	·				
	(Intentionally l	eft blank. No change from	m Agreement)		
		J			
	•				
					•
				·	

40-26-6

THE PARTY CONTRACTOR STREET, STREET, AND THE PROPERTY OF THE PARTY CONTRACTOR OF THE PARTY OF THE PARTY OF THE PARTY.

EXHIBIT B - PRICING

NDC	COMPANY PRODUCT	SIZE	% DISCOUNT FROM NDP	(1) CONTRACT PRICE	(2) FORMULARY STATUS
00085136801	PEG INTRON FOR INJ 0.7ML	100mcg	2.0%	\$202.43	LISTED (a)
00085129101	PEG INTRON FOR INJ 0.7ML DILUENT	160mcg	2.0%	\$212.55	LISTED (a)
00085130401	PEG INTRON FOR INJ 0.7ML DILUENT	240mcg	2.0%	\$223.18	LISTED (a)
00085127901	PEG INTRON FOR INJ 0.7ML DILUENT	300mcg	2.0%	\$234.33	LISTED (a)
00085132704	REBETOL CAPS 200MG	42	10.0%	\$309.96	LISTED (a)
00085135105	REBETOL CAPS 200MG	56	10.0%	\$413.28	LISTED (a)
00085138507	REBETOL CAPS 200MG	70	10.0%	\$516.60	LISTED (a)
00085119403	REBETOL CAPS 200MG	84	10.0%	\$619.92	LISTED (a)

(a) Both Peg-Intron and Rebetol must be listed on Formulary.

Terms:

To be eligible for the Peg-Intron and Rebetol contract pricing set forth in Exhibit B, Fallon Clinic must provide unencumbered reimbursement for both Peg Intron and Rebetol. For the purposes of this Amendment unencumbered reimbursement for Peg Intron and Rebetol shall mean Peg Intron and Rebetol shall have an equivalent (or better) status as compared to other Hepatitis C therapies within this therapy class on Fallon Clinic's formulary or equivalent listing for injectable products.

Additionally, Fallon Clinic shall not subject Peg-Intron and Rebetol to a Restriction or Economic Penalty, whether by reason of its listing on Fallon Clinic's Formulary or otherwise. For the purposes of this Amendment and the Agreement, the term "Restriction and Economic Penalty" with respect to any product shall mean (a) making such product subject to NDC blocks or other pharmacy prompts that discourage the dispensing or prohibit reimbursement of such product, unless (i) such blocks or prompts are related to drug interactions with other prescription or over-the-counter drug products, (ii) such blocks or prompts are related to contraindications, or (iii) it becomes generally accepted in the US medical community that the use of the product should be restricted or curtailed for clinical reasons relating to patient safety.

Counter Detailing:

No contract pricing shall be provided for Peg Intron and Rebetol if during the Term of this Agreement Fallon Clinic engages in any counter-detailing or disincentivizing efforts against Peg Intron and Rebetol in favor of a competitive product within the same therapeutic class. This restriction shall apply to Fallon Clinic or any subsidiary and/or affiliate of Fallon Clinic entitled to discounts

under the terms and conditions of this Agreement. For the purposes of this Agreement, counter-detailing and disincentivizing shall include, but will not be limited to, any effort by Fallon Clinic to actively replace prescriptions for Product(s) to competitive products whether generic or branded within the same therapy class. Schering reserves the right to renegotiate discounts on Peg Intron and Rebetol if Fallon Clinic restricts utilization of Peg Intron or Rebetol more specifically than is outlined in the FDA approved package insert for these products.

In addition, Fallon Clinic must fulfill the following HCV Initiatives:

- Fallon Clinic shall offer Be-In-Charge enrollment to all new eligible members treated with Schering HCV Products via written communication.
- Fallon Clinic shall communicate to all affiliated I.D.'s and G.E.'s within Fallon Clinic's physician network describing the value of the Be-In-Charge program via letter distribution or other commercially acceptable methods of communication.

SCHERING CORPORATION

CALLOPING HILL ROAD

KENILWORTH, N. J. 07033

CABLES: SCHERING KENILWORTH

TELEX: 138316 138260

TELEPHONE: (908) 298-4000

November 16, 1998

RECEIVED

NOV 17 1998

TRADE FINANCIAL SERVICES

Edward S. Curran Jr., R.Ph. Vice President, Pharmaceutical Relations Aetna Pharmacy Management 400-1 Totten Pond Road Waltham, MA 02154

Dear Mr. Curran:

Enclosed is your copy of the countersigned original of the Addendum to Agreement #SR4960055 between Aetna Pharmacy Management and Schering Corporation.

Thank you for your support of the Schering/Key product line. We look forward to a continued mutually beneficial relationship with Aetna Pharmacy Management.

Sincerely,

John Cheslock

Contracts and Pricing

c:Cathy Moriarty

Defendants' Exhibit

2902

01-12257 - PBS

EXHIBIT A-1 - HAPO.

For the designated contract period, Company agrees to reimburse Aetna Pharmacy Management in accordance with this Agreement, based on actual dispensing of Company Products.

If listed by Aetna Pharmacy Management on the published Aetna Pharmacy Management
Formulary of the Members which it represents, which is communicated to Participating
Affiliate Health Plans and from time to time, then Company agrees to rebate to Aetna
Pharmacy Management as follows:

Base/Formulary Rebate is calculated by multiplying Schering Product Volume by Base/Formulary Rebate Percentage. Schering Product Volume for a particular product is defined as utilization of that Product by Eligible Members in Participating Affiliate Health Plans multiplied by that Product's Net Direct Price.

Market Share Rebate

Market Share Rebate is calculated by multiplying Schering Product Volume times Additional Rebate (as identified in column 'c' of Formulary Rebate Schedule), times the number of Performance Tiers achieved.

A Performance Tier is achieved each time Schering product market share exceeds the applicable Base Market Share by the full number of market share points (as identified in column 'b' of Formulary Rebate Schedule).

In no event will the combination of Base Rebate (as identified in column 'a' of Formulary Rebate Schedule) plus Market Share Rebate (defined above), exceed the Maximum Rebate (as identified in column 'd' of Formulary Rebate Schedule).

If Schering Product Market Share does not exceed Base Market Share, the Base/Formulary Rebate will apply without penalty.

Product Market Definition which will be used in determining the Market Share Rebate is defined on Attachment D.



	EXHIBI	r_A-1			A	
D	iscount schedule	FOR HMO BUSINES	S Disc		e ms	
Company Product	Base/Formulary Rebate	% Points Above Base Market Share	Additional Discount	Maximum Discount		İ
DIPROLENE	× 11%	2%	1%	15%	3/	
ELOCON	× 11%	2%	1%	15%	46	1
LOTRISONE	× 8%	2%	1%	10%	41	1
IMDUR	入 10%	2%	1%		57	
INTRON	· × 3%	N/A	N/A	3%	_	-
K-DUR 20 mEQ	× 11%	2%	1%	15%	52	5
NITRO-DUR	× 20%	2%	1%		53	5
NORMODYNE	× 21%	2%	1%		73	7
UNI-DUR	111%	2%	1%	15%	1,	
PROVENTIL Repetabs	10%	2%	1%	15%	38	4

If listed by Aetna Pharmacy Management on the published Aetna Pharmacy Management Formulary of the Members which it represents, which is communicated to Participating Affiliate Health Plans and from time to time, then Company agrees to rebate to Aetna Pharmacy Management as follows:

DISCOUNT SCHE	DULE FOR HMO BUSINESS
COMPANY	% REBATE OFF NET
PRODUCT	DIRECT PRICE
THEO-DUR	12%

Section of

EXHIBIT A-2 Mag Chaice

For the designated contract period, Company agrees to reimburse Aetna Pharmacy Management in accordance with this Agreement, based on actual dispensing of Company Products.

If listed by Aetna Pharmacy Management on the published Aetna Pharmacy Management
Formulary of the Members which it represents, which is communicated to Participating
Affiliate Health Plans and from time to time, then Company agrees to rebate to Aetna
Pharmacy Management as follows:

Base/Formulary Rebate is calculated by multiplying Schering Product Volume by Base/Formulary Rebate Percentage. Schering Product Volume for a particular product is defined as utilization of that Product by Eligible Members in Participating Affiliate Health Plans multiplied by that Product's Net Direct Price.

Market Share Rebate

Market Share Rebate is calculated by multiplying Schering Product Volume times Additional Rebate (as identified in column 'c' of Formulary Rebate Schedule), times the number of Performance Tiers achieved.

A Performance Tier is achieved each time Schering product market share exceeds the applicable Base Market Share by the full number of market share points (as identified in column 'b' of Formulary Rebate Schedule).

In no event will the combination of Base Rebate (as identified in column 'a' of Formulary Rebate Schedule) plus Market Share Rebate (defined above), exceed the Maximum Rebate (as identified in column 'd' of Formulary Rebate Schedule).

If Schering Product Market Share does not exceed Base Market Share, the Base/Formulary Rebate will apply without penalty.

<u>Product Market Definition</u> which will be used in determining the Market Share Rebate is defined on Attachment D.

"Formulary" as used herein shall mean products which are reimbursed if included in a published formulary/prescribing guidelines and distributed to medical providers.

Tiers

	EXHIBIT	Γ A-2	.		ı
DISCOUR	NT SCHEDULE FOR ME	ANAGED CHOICE B	USINESS Disct STUP		Ga M
Company Product	Base/Formulary Rebate	% Points Above Base Market Share	Additional Discount	Maximum. Discount	
DIPROLENE	× 9%	2%	0,5%	15% 34	34
ELOCON	× 9%	2%	0.5%	15% 44	4
LOTRISONE	× 5%	2%	0.5%	10% 42	4:
IMDUR	× 8%	2%	0.5%	15762	6
INTRON	×J 3%	N/A	N/A	3%	-
K-DUR 20 mEQ	× 9%	2%	0.5%	15% 58	9
NITRO-DUR	× 15%	2%	0.5%	25% 53	5-
NORMODYNE	× 18%	2%	0.5%	25% 68	6
UNI-DUR	> 9%	2%	0.5%	15% 2	2
PROVENTIL Repetabs	₹ 8%	2%	0.5%	15%)31	31

Incremental discount is based on 0.5% additional discount points for each 2% increase in total Rx market share above Base Market Share.

If listed by Aetna Pharmacy Management on the published Aetna Pharmacy Management Formulary of the Members which it represents, which is communicated to Participating Affiliate Health Plans and from time to time, then Company agrees to rebate to Aetna Pharmacy Management as follows:

DISCOUNT SCHEDULE FOR N	IANAGED CHOICE BUSINESS
COMPANY PRODUCT/	% REBATE OFF NET
	DIRECT PRICE
/ THEO-DUR /	12%

EXHIBIT D

MARKET DEFINITIONS

TOPICAL STEROID MEDIUM POTENCY

ELOCON' VALISONE Synalar Aristocort Hytone

Westcort

4 Kenalog Topicort LP Cutivate Aclovate Dermatop

Products X'd off are already included on a existing agreeme SR 4950055

B. ORALLY INHA ED STEROHD

> VANCERIL Aerobid/M Flovent

Azmacort Boclovent Budesonide*

Beclomethasone Dipropionate Oral 84 micrograms*

C. XANTHINE TABLET/CARSULE

THEO-DUR **UNI-DUR** Slobid Theo-24 Uniphyl

Slophylline Theolaire Theochron

D. NASALLY INHALED

VANCENASE AQ/POCKETHALER /

Beconsse AQ/Inhaler Nasalide -Nasalcrom Floruse Decadron

Nesscort Rhinocort

Dexacost

Beclomethasone Dipropionate Nasal 84 micrograms*

E. ANTIHISTAMINE TABLETYCAPS

CLARITIN/D

Hismanal Scidenc/D

-ME SEDATINO

F. TRANSDERM

NTTRO-DUR

Nitrodisc Deponit

Transdermal-Nitro

NTS Minitran

G. LONG-ACTING NITRATES TABLET/CAPSULE

IMDUR'
Monoket

Ismo

H. POTASSIUM CHLORIDE TABLET/CAPSULE

K-DUR 10/20mEg /
K-Tab
Micro-K
Ten-K
Koun-Ci
K-Log*

Klotrix Slow-K Klor-Con 8/10

K-Lease K-Norm

I. ALPHA/BETA BLOCKERS

NORMODYNE .

Trandate

J. TOPICAL STEROID HIGH POTENCY

DIPROLENE /
DIPROSONE
Temovate
Ultravate
Maxivate

Cyclocort
Proceon
Topicort
Lidex/E

K. TOPICAL ANTIFUNGAL SINGLE/COMBO

LOTRISONE
LOTRIMIN
Spectazole
Monistat-Derm
Oxistat
Exelderm

Nixoral
Nizoral
Naftin
Loprox
Mycelex
Lamisil

*SHALL BE INCLUDED IN THE MARKET DEFINITION UPON FDA APPROVAL.

Elocon Aclovate Aristocort Cutivate Dermatop Hytone Kenalog Synalar Topicort Valisone Westcort	HMO Market 4Q95 Rx's Share 3,039 46.01% 531 46 114 240 133 232 54 74 39 50 2,099 6,605	MC Market 4095 Rx' Share 3,850 43.77% 905 65 471 169 502 99 139 59 184 2,353 8,796	C/O Market 4Q95 Rx' Share 3,203 40.16% 800 105 435 229 577 187 196 89 256 1,898 7,975	40 ⁹⁶
Uni-Dur Slobid Slophylline Theo-24 > Theochron Theolaire Theo-Dur Uniphyl	HMO Market 4Q95 Rx's Share 74 0.84% 2,007 51 467 1,371 213 3,456 1,164 8,803	MC Market 4Q95 Rx' Share 107 1.62% 1,410 44 484 823 116 2,446 1,161 6,591	C/O Market 4Q95 Rx Share 147 1.39% 2,030 69 913 1,421 363 4,346 1,263 10,552	190
Claritin Hismanal Seldane #2 - M	HMO Market 4Q95 Rx's Share 19,597 42,17% 3,910 23,869 46,476	MC Market 4095 Rx' Share 34,351 60.51% 4,047 18,372 56,770	C/O Market 4Q95 Rx' Share 29,880 60,20% 3,907 15,847 49,634	
Nitro-Dur W Deponit Minitran Nitrodisc NTG	HMO Market 4Q95 Rx's Share 2,135 52.53% 369 684 53 13 43	MC Market 4Q95 Rx' Share 845 \ 52.98% 194 236	C/O Market 4Q95 Rx' Share 4,475 43.63% 1,580 1,756 65 128	4490

Page 2

1,595

Transdermal-Nitro

128

2,252

10,256

Imdur / Ismo Monoket	HMO Market 4Q95 Rx's Share 565 57.48% 340 5/7 78 983	MC (Market 4095 Rx' Share 1,118 62.21% 483 196 1,797	C/O Market 4Q95 Rx' Share 3,510 \ 51.50% 2,354 951 6,815
K-Dur K-Tab K-Lor K-Lease K-Norm Klor-Con 8/10 Klotrix Kaon-Cl Micro-K Slow-K Ten-K	HMO Market 4Q95 Rx's Share 6,849 51.65% 414 14 14 9 4,320 99 94 1,038 349 74 13,261	MC Market 4Q95 Rx' Share 3,851 57.64% 322 17 2 9 1,063 113 82 791 426 5 6,681	C/O Market 4Q95 Rx' Share 12,655 52.68% 1,257 68 53/0 34 3,550 408 539 3,979 1,484 40 24,024
Normodyne √ Trandate	HMO Market 4Q95 Rx's Share 1,616 72.96% 599 2,215	MC Market 4Q95 Rx' Share 1,236 68.21% 576 1,812 6 8	C/O Market 4Q95 Rx' Share 2,228 70.13% 949 3,177
Diprolene Cyclocort Diprosone Lidex Maxivate Psorcon Temovate Topicort Ultravate	HMO Market 4Q95 Rx's Share 2,063 30.96% 405 3 464 11 886 1,606 578 609 6,663	MC Market 4095 Rx' Share 3,199 34.46% 340 133 34 741 35 1,080 1,989 759 1,007 9,283	C/O Market 4Q95 Rx' Share 2,841 \ 28.11% 476 171 921 41 1,119 2,344 1,026 1,167 10,106

Page 3

	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx'	Market Share	C/O 4Q95 Rx	Market Share	
Lotrisone :	4,702	40.83%	5,491	41.74%	5,868	41.44%	
Exelderm	203	. 1	290		278		4190
. Lamisil	74 9	41	1,782	42	2,044		1.
Loprox	901		685	4 -	911		
Lotrimin	32		118		130		•
Monistat-Derm	28		15		97	_	
Mycelex	74		1		45	•	•
Oxistat	263		369		446_		
Naftin	274		344		369		
Nizoral	3,543		3,143		2,825		
Spectazole	746		917	_	1,147		
	11,515		13,155	-	14,160		

	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx'	Market Share	C/O 4Q95 RX	Market Share	
Proventil Repetabs	1,790	37.72%	1,394	₹30.54%	2,039	35.63%	. d/s
Alupent	7	38	18	11	42		3690
Brethaire	0	3°,	. 0	31	0	•	
Bricanyl /	1,142		895		973		
Metaprel /	78		58		69		
Proventil Tablets	1,045	,	727		1,000		•
Ventolin	400		758		733		
Volmax	284	•	715		866		
	4,746		4,565	•	5,722		

H	NO'	•
, -		

. /	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx	Market Share	C/O 4Q95 Rx'	Market Share	
Elocon 🗸	3,039	46.01%	3,850		3,203	40.16%	No.
Aclovate	531	46	905		800	.0120 /0	4090
Aristocort	114	38	65	44	105		•
Cutivate	240		471	11	435		
Dermatop	133		169		229	_	
Hytone	232	•	502		577	•	
Kenalog	54		99		187	-	
Synalar	74		139		196		
Topicort	39		59		89		•
Valisone	50		184		256		
Westcort	2,099		2,353				
•	6,605		8,796	•	1,898 7,975		

Mari Para	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx'	Market Share	C/O 4Q95 Rx'	Market Share	
Uni-Dur 🗸	74	0.84%.	107	1.62%	147	1.39%	100
Slobid	2,007	ł	1,410	^	2,030		190
Slophylline	51		44	2	69		
Theo-24	467		484		913		
Theochron	1,371		823	•	1,421		
Theolaire	213		116		363		
Theo-Dur	3,456		2,446		4,346		
Uņiphyl	1,164		1,161		1,263		
	8,803		6,591		10,552		

HISManal HISManal Seldane	HMO 1Q95 Rx's 19,597 3,010 23,869 46,476	Market Share 42.17%	MC 4Q95 Rx' 34,351 4,047 18,372 56,770	Market Share 60.51%	C/O 4Q95 Rx' 29,880 3,907 15,847 49,634	Market Share 60,26%
---------------------------	---	---------------------	---	---------------------	--	---------------------

#2	-Missing	Claritin	D
----	----------	----------	---

	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx'	Market Share	C/O Market 4Q95 Rx' Share	4490
Nitro-Dur 🗸	2,135	52.53%	845 \	52.98%	4,475 \ 43.63%	447
Deponit	369	~	194	-	1,580	
Minitran	684	55.	236	53	1,756	
Nitrodisc	13		7	V	65	
NTG	43		24		128	
Transdermal-Nitro	820		289		2,252	
	4,064		1,595		10.256	

Page 2

Imdur / Ismo Monoket	HMO Market 4Q95 Rx's Share 565 57.48% 340 57 78 983	MC Market 4Q95 Rx' Share 1,118 62.21% 483 196 1,797	C/O Market 4Q95 Rx' Share 3,510 \ 51.50% 2,354 951 6,815
K-Dur K-Tab K-Lor K-Lease K-Norm Klor-Con 8/10 Klotrix Kaon-Cl Micro-K Slow-K Ten-K	HMO Market 4Q95 Rx's Share - 6,849 51.65% 414 52- 1 9 4,320 99 94 1,038 349 74 13,261	MC Market 4Q95 Rx' Share 3,851 57.64% 322 17 2 9 1,063 , 113 82 791 426 5 6,681	C/O Market 4Q95 Rx' Share 12,655 52.68% 1,257 68 53 0 10 34 3,550 408 539 3,979 1,484 40 24,024
Normodyne Trandate	HMO Market 4Q95 Rx's Share 1,616 72.96% 599 2,215	MC Market 4Q95 Rx' Share 1,236 68.21% 576 1,812	C/O Market 4Q95 Rx' Share 2,228 70.13% 949 3,177
Diprolene Cyclocort Diprosone Lidex Maxivate Psorcon Temovate Topicort Ultravate	HMO Market 4Q95 Rx's Share 2,063 30.96% 405 3 41 464 11 886 1,606 578 609 6,663	MC Market 4095 Rx' Share 3,199 34.46% 340 34 133 34 741 35 1,080 1,989 759 1,007 9,283	C/O Market 4Q95 Rx' Share 2,841 \28.11% 476 171 \76 \6 \70 1119 2,344 1,026 1,167 10,106

Page 3

Victory)

	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx'	Market Share	C/O 4Q95 Rx	Market Share	
Lotrisone _	4,702	40.83%	5,491	41.74%	5,868	41.44%	•
Exelderm >	203		290	1207 170	278	41,44%	4196
. Lamisil /	749	4[1,782	42	2,044		4110
Loprox /	901	-	685	40	=		
Lotrimin /	32		118		911		٠,
Monistat-Derm -	28		15		130 97		
Mycelex -	74		1		45		•
Oxistat ~	263		369		43 44 6		
Naftin ·	274		344				
Nizoral	3,543		3,143		369		
Spectazole /	746		917		2,825		
_	11,515		13,155		1,147		

	HMO 4Q95 Rx's	Market Share	MC 4Q95 Rx'	Market Share	C/O 4Q95 Rx'	Market Share	
Proventil Repetabs	1,790	37.72%	1,394	30.54%	2,039	45.40.24	•
Alupent /	7	201	18		•	33.63%	3690
Brethaire	0	38		31	42		34.
Bricanyl (1,142	, -	0 895		0 973		
Metaprel //	78		58				
Proventil Tablets /	1,045				69		
			727	•	1,000		
Ventolin -	400	•	758		733		
Volmax -	284		715		866		
	4,746		4,565		5,722		

EXHIBIT A

The following discounts for Claritin and Claritin D are contingent upon (a) Healthcare
Organization listing Claritin and Claritin D along with, at Healthcare Organization's option,
either Seldane and/or Seldane D or Hismanal, as the only products on the HMO and Managed
Choice *closed National Formulary in the non-sedating antihistamine and
antihistamine/decongestant categories, and (b) Healthcare Organization's HMO and Managed
Choice plans adopting *closed National Formulary. If at any time during the term of this
Agreement both (a) and (b) in the preceding sentence are not in effect, then such discounts
shall not be available for Healthcare Organization, and the parties shall renegotiate such
discounts in good faith.

MOOPY	
PRODUCT	%OF CURRENT NET DIRECT PRICE
Claritin Claritin D	12%. 21% Hgler

DICOUNT BAJE SHARE

Didn'T

Didn'T

The following discounts for Proventil, Vancenase, Vancenase/AQ and Vanceril, are contingent upon (a) Healthcare Organization/listing these products as the exclusive albuterol inhaler, exclusive beclomethasone dipropionate/monohydrate nasal inhaler, and the exclusive beclomethasone dipropionate inhaler on the HMO and Managed Care *closed National Formulary in the corresponding therapeutic categories and (b) Healthcare Organization's HMO and Managed Choice plans adopting Healthcare Organization's *closed National Formulary. If at any time during the term of this Agreement (b) in the preceding sentence is not in effect, renegotiate such discounts in good faith. If at any time during the term of this Agreement only to Healthcare Organization for Proventil, Vancenase/AQ, and Vanceril, shall be set forth of the adjusted discount schedula.

PRODUCT	%OF CURRENT NET DIRECT PRICE
Proventil Inhaler	25% Tigher
Vancenase/AQ	25% Tigher
Vanceril Inhaler	25% Nisc

BASE SHAPE

bc50824a



me or more of the following three conditions occurs, then the corresponding discounts will e adjusted as follows:

LEFT HIS FOR BETSY, RE: IF MC JOK NORE BELOW DO BOTH SET LOWER DISCOUNT.

1	PRODUCT	ADJUSTED DISCOUNT	1 Alth O/2/2
	Claritin 7 suaddendum as 28 Claritin D 3 2497	8%	- Discourds ///9
	Proventil Inhaler Vancenase/AQ	20%	Loner
	Vanceril Inhaler secaddendum	1	Visc

1) Healthcare Organization's market shares for the aforementioned Schering Products fall below Healthcare Organization's Base Market Share for the previous quarter for such Products (determined on a product by product basis).

2) Effective January 1, 1996, the Managed Choice market share for the aforementioned Don't have Schering Products is 5 or more market share points below the HMO market share. CONTRAC

3) Hard computer edits noting the non-reimbursable status of competitive non-formulary Just review products are not in place by dates listed below:

This applies only to chritin/s
The other have to get the lower to the other have managed choice? 50% of membership by 3/97

85% of membership by 12/97

HMO 4 plans by 11/95 50% of membership by 6/96 70% of membership by 12/96 100% of membership by 7/97

If such hard computer edits are not in place by such date, then, at Healthcare Organization's request upon Health Organization demonstrating best efforts to achieve such hard computer edits, Company will consider, in its sole discretion, whether to modify such hard computer edit requirements. Company shall not be required to make any such modifications.

Healthcare Organization will communicate Formulary Status in the non-sedating antihistamine class through published formulary documents by 1/1/96.

Healthcare Organization will address Schering Corporation product positioning (specifically Claritin and Claritin D) in Health Partners-a Minnesota Health Plan organization for which Healthcare Organization provides prescription services.

*closed formulary means that non-formulary products are not reimbursed and plan members will have a 100% co-pay.

**computer edits will dictate no reimbursement for non-formulary products.

7/24 Freek spoke to Brion Land he said

bc50824a

-18-

PURCHASE AGREEMENT

This Purchase Agreement is between Harvard Pilgrim Health Care, Inc.-Harvard Staff, ("Harvard"), having a place of business at 93 Worcester Street, Wellesley, MA 02481 and Schering Corporation ("Schering"), a Delaware corporation, having a place of business at 2000 Galloping Hill Road, Kenilworth, New Jersey 07033.

This Agreement sets forth the terms and conditions pursuant to which Schering will provide pricing to Harvard staff model health maintenance organization (the "Harvard Staff Model HMO") based, in part, on the actual dispensing of those Schering products specified in Exhibit B ("Products") to Eligible Members (as defined below) by the Harvard Staff Model HMO.

Harvard and Schering agree as follows:

ARTICLE 1. DEFINITIONS:

- 1.1 "Eligible Member" as used herein shall mean an individual enrolled in the Harvard Staff Model HMO; provided, however, that "Eligible Members" shall not include individuals who are also enrolled in other organizations that either (i) purchase any of the Products other than pursuant to this Agreement; or (ii) receive rebates based on utilization of the Products by any such individual.
- 1.2 "Formulary" as used herein shall mean a listing of the drugs Harvard has reviewed, approved and recommended for use at the Harvard Staff Model HMO.
- 1.3 "Net Direct Price" as used herein shall mean the price published from time to time by Schering as its net direct price for each Product.

ARTICLE 2. PRODUCT SALE

- 2.1 Sale of Product. Schering shall make the Products available to the Harvard Staff Model HMO through Cardinal Distribution, Inc. and AmerisourceBergen (the "Prime Vendors"). Harvard shall notify Schering in writing of any change to its Prime Vendor(s), which Prime Vendor(s) shall be mutually acceptable to Harvard and Schering. Schering shall report to the Prime Vendor(s) the pricing to which the Harvard Staff Model HMO is entitled for the Products pursuant to this Agreement. The actual price for the Products paid by the Harvard Staff Model HMO to the Prime Vendor(s) shall be as agreed upon by Harvard and its Prime Vendor(s). See attached wholesaler sheet.
- 2.2 Product Returns. All Product returns are subject to Schering's Institutional Returned Goods Policy attached hereto as Exhibit A.
- 2.3 Schering Warranties and Covenants. Schering warrants that all Product sold to the Harvard Staff Model HMO pursuant to this Agreement conforms to the descriptions set forth in each such Product's respective labeling provided that such units of the Products are used by the Harvard Staff Model HMO in accordance with such labeling.

2

Defendants' Exhibit

2903

01-12257 - PBS

OBLIGATIONS OF HARVARD STAFF: ARTICLE 3.

- Formulary. In order to obtain the discounted pricing on each Product as detailed in 3.1 Exhibit B, the Harvard Staff Model HMO must list such Product on its Formulary with the Formulary status for such Product detailed in Exhibit B. In the event the Harvard Staff Model HMO fails to satisfy the Formulary listing requirements established pursuant to this Section 3.1 for any Product, the Harvard Staff Model HMO will not be entitled to and shall not receive the discounted pricing for such Product detailed in Article 4.
- 3.2 Own Use. Harvard hereby warrants and agrees that all Product purchased pursuant to this Agreement shall be utilized solely by the Harvard Staff Model HMO for its "own use" as that term is defined by the United States Supreme Court in Portland Retail Druggists' Association, Inc. v. Abbott Laboratories et. al, 425 U.S. 1 (1976). Harvard acknowledges and agrees that Schering is not required to provide a discount for any Product sold, used or dispensed to other than for the Harvard Staff Model HMO's "own use" as described in this Section 3.2.
- 3.2 Audit. Harvard will use commercially reasonable efforts to institute and conduct on a regular basis random audits of the Harvard Staff Model HMO to ensure that actual dispensing of the Products complies with the terms of this Agreement, including the restrictions of Section 3.2 hereof. Adjustments as a result of such audits shall be refunded to Schering no later than thirty (30) days after completion of such audit. Harvard shall use commercially reasonable efforts to keep and maintain accurate books, records and files with respect to the Products, any reports submitted to Schering as part of the random audits completed pursuant to this Section, and all information relating to the purchase and dispensing of the Products pursuant to this Agreement. Harvard agrees that Schering shall have the right to conduct inspections and/or audits of Harvard's and/or the Harvard Staff Model HMO's books, records, and files /< T(# from time to time, and that within ten (10) days following Harvard's receipt of a written request 1-54141 from Schering, the Harvard Staff Model HMO and/or Harvard shall make such information (and C) LLY such other information necessary to confirm such information) available in a manner satisfactory () to Schering, for inspection and/or audit by Schering's representatives or its designated auditors () during regular business hours. Schering agrees that any such inspections and/or audits shall be / Like subject to the requirements of state and federal law regarding the confidentiality of medical and \(\leq \infty \) prescription records. IN Accordance with the attached Staff Model Auch KAN

OBLIGATIONS OF SCHERING: ARTICLE 4.

- Discount. Subject to compliance with all of the terms and satisfaction of all of the conditions set forth in this Agreement, and subject further to the provisions of Section 4.2 hereof, Schering shall provide Harvard with the discounted pricing set forth on Exhibit B for each of the Products dispensed by the Harvard Staff Model HMO for the treatment of Eligible Members. All discounts pursuant to this Agreement shall be based on Schering's Net Direct Price for Products.
- 4.2 Price Increases. Anything to the contrary herein notwithstanding, Schering hereby reserves the right in its sole discretion to increase the prices for the Products set forth on Exhibit B at any time to reflect or account for comparable increases made to its published Net Direct Price list.

- 4.3 Eligibility for Discounts. The Harvard Staff Model HMO's continued access to the Product discount for each Product is contingent upon Harvard complying with all of its obligations and responsibilities pertaining to such Product as detailed in this Agreement. Failure on the part of Harvard to fulfill its responsibilities or satisfy the conditions as set forth herein for a Product shall be grounds for Schering to reduce the discount for such Product to zero percent.
 - 4.4 Ineligibility for Discounts. No discounts will be provided hereunder for:
 - (a) any Product which is listed on the Formulary other than as set forth in this Agreement;
 - (b) any units of Product for which Schering is obligated to pay rebates or provide discounts or other price reductions to any other party or governmental entity or with respect to any government health program including, without limitation Medicaid, Medicare or similar programs; and/or
 - (c) any units of Product which are not used or dispensed as required by this Agreement.
- 4.5 Excess Discounts. If Schering reasonably determines as a result of an inspection and/or audit of Harvard (or the Harvard Staff Model HMO), any notice to Schering or other information that (i) Harvard has not satisfied all of the conditions in order to obtain the discounts set forth in this Agreement, (ii) any Product purchased hereunder shall have been sold, dispensed or administered for purposes other than the Harvard Staff Model HMO's own use as set forth in Section 3.2, or (iii) all or any part of the discounts previously granted by Schering to the Harvard Staff Model HMO hereunder are not required under this Agreement, then, in each such case, Harvard shall pay to Schering an amount equal to all or any portion of such excess discount granted hereunder with respect to the Product quantities purchased by the Harvard Staff Model HMO within thirty (30) days of being notified of such excess discount by Schering.
- 4.6 Adjustment to Discounts. Schering reserves the right to make adjustments to the discounted pricing available hereunder based on the introduction of generic competition, a new product entry, or implementation of a MAC (Maximum Allowable Cost) program. Should Schering cease marketing/manufacturing of any of the Products, or any package size of any of the Products, then this Agreement shall terminate with regard to the Product or such package size as the case may be

ARTICLE 5. TERM AND TERMINATION:

- 5.1 Term. The term of this Agreement shall commence on January 1, 2002. Unless sooner terminated as provided for herein, this Agreement shall remain in effect until December 31, 2002 (the "Term"). The Term may be extended only by a written amendment to this Agreement which is signed by both Harvard and Schering.
- 5.2 Termination Without Cause/Termination for Cause. This Agreement may be terminated by either party (a) without cause upon not less than 30 days' prior written notice to the other party, (b) if the other party is in breach of its obligations, representations or warranties set forth in this Agreement which breach is not cured within 10 days after receipt of written notice of such breach from the non-breaching party, (c) upon enactment of federal, state or local legislation, rules or regulations (collectively "Laws"), or the issuance of an interpretation of existing Laws, which, in the reasonable opinion of either party, could have a material adverse impact on such party and/or

any of its affiliates (economic or otherwise) if the Agreement remained in effect unmodified or (d) upon the insolvency, dissolution, liquidation, receivership or other similar reorganization of either party, whether voluntary or involuntary.

5.3 Survival. Termination of this Agreement for whatever the reason shall not affect the rights and obligations of the parties accruing prior to the effective date of termination.

ARTICLE 6. GENERAL PROVISIONS:

- 6.1 Confidentiality: Harvard shall maintain the confidentiality of all the terms and conditions of this Agreement throughout the duration hereof and for a period of two (2) years following the expiration or termination of this Agreement. It is agreed by both parties hereto that the confidentiality of an Eligible Member's personal identifying information and medical report must be protected. Harvard and Harvard Staff Model HMO are each prohibited from sending to Schering reports or other information which contain the names, address, telephone number or any other information that would, in the reasonable estimation of the parties hereto, enable Schering to establish the identity of an Eligible Member.
- 6.2 Use of Health Plan Name: Schering may not use the name of Harvard or the Harvard Staff Model HMO for any advertisement or publicity or any other reason unless such use has been reviewed and approved by Harvard prior to use or publication.
- 6.3 Notices: Any notice required or permitted hereunder shall be given in person or sent by first class, certified mail:

To Harvard at:

To Schering at:

Harvard Pilgrim Health Care, Inc.-Harvard Staff Corporate Pharmacy Contracts-4th Floor 93 Worcester Street Wellesley, MA 02481 ATTN: Kenneth Kazarosian Schering Corporation 2000 Galloping Hill Road K-5-3 A270 Kenilworth, New Jersey 07033 ATTN: Contracts & Pricing

or to such other address or to such other person as may be designated by written notice given from time to time during the term of this Agreement by one party to the other.

- 6.4 Force Majeure: Noncompliance with the obligations of this Agreement due to force majeure, laws or regulations of any government, war, civil commotion, destruction of production facilities and materials, fire, earthquake or storm, labor disturbances, shortage of materials, failure of public utilities or common carriers, and any other causes beyond the reasonable control of the parties, shall not constitute breach of contract.
- 6.5 Non-Assignment: Neither party shall have the right to assign this Agreement to a third party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Provided, however, that either party may assign its duties, rights and interests under this Agreement, in whole or in part, to its subsidiaries or affiliates without such

prior written consent. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve either party of responsibility for the performance of any obligations which have already accrued. This Agreement shall inure to the benefit of and be binding upon each party, its respective successors and permitted assigns.

- or found to be illegal or unenforceable by a court of competent jurisdiction, both parties shall be relieved of all obligations arising under such provision, but if capable of performance, the remainder of this Agreement shall not be affected by such declaration or finding. This Agreement shall be governed by, and enforced and construed in accordance with, the laws of the Commonwealth of Massachusetts without giving effect to the conflicts of laws provision thereof.
- 6.7 Indemnification: Each party hereto ("Indemnifying Party") shall indemnify and hold harmless the other party from and against any claims, demands, costs or expenses (including reasonable attorney's fees) arising from or based upon the negligent or willful acts or omissions of the Indemnifying Party or its agents or employees under this Agreement, provided that the Indemnifying Party will have no liability to the other party under this Section 6.7 unless the Indemnifying Party is promptly notified in writing by the other party of all claims asserted and actions instituted against the other party and is given the opportunity to defend the same at its own cost and expense.
- 6.8 Compliance With Laws: Harvard shall, and shall cause the Harvard Staff Model HMO to, comply with all applicable laws in connection with this Agreement, including without limitation the reporting requirements and applicable provisions of 42 U.S.C. §1320a-7b (prohibiting illegal remuneration), by fully and accurately disclosing all discounts contained in this Agreement in any filings or claims made under any Federal healthcare program, including the Medicare and Medicaid programs.
- 6.9 Entire Agreement; Amendment: This Agreement, including the Exhibits attached hereto, contains a total integration of all rights, obligations and agreement of both parties with regard to the subject matter hereof. There are no extrinsic conditions, collateral agreements or undertakings of any kind regarding the subject matter hereof, and it is the express intentions of both parties that any and all prior or contemporaneous agreements, promises, negotiations or representations, either oral or written, relating to the subject matter hereof that are not expressly set forth herein are to have no force, effect, or legal consequences of any kind. This Agreement may only be amended by a writing signed by both parties hereto.

Schering Corporation:

awrence Ken-Kwofie

Title: Sr. Manager, Contracts & Pricing

Data: 4//

Accepted for the Harvard Pilgrim Health Care Harvard Vangard (HPHC) Health Center Pharmacies

Please allow bid pricing on a direct basis

Harvard Pilgrim Health Care, Inc.-Harvard Staff:

Title:

Kenneth J. Kazarosian, M.S., R.Ph.

Date: Pharmacy Contracts Manager
Harvard Pilgrim Health Care

Pharmacy Operations
Corporate Pharmacy Contracts

93 Worcester Street Wellesley, MA 02481-0002

EXHIBIT A

INSTITUTIONAL RETURNED GOODS POLICY/RX

All returns of merchandise for credit over \$10,000 must have the prior approval of an authorized Representative and must be forwarded prepaid directly to Schering Corporation, 1011 Morris Avenue, Union, New Jersey 07083.

- a. Credit will be allowed on unopened and undamaged packages at current contract prices as of date of return (except merchandise sold on a special promotion offer, in which case the invoice price will apply) as follows:
 - 1. For prescription products not purchased on contract, returns made within 3 months after a price increase will be credited at the price prior to the price increase.
 - 2. Dated products will be given full credit up to one year after expiration. No credit will be issued for products returned more than one year after expiration.
 - 3. Based on Schering's judgement, packages that are partially filled or show other evidence of being opened, will receive partial credit.
- b. The above adjustments will appear on Schering's credit memoranda as follows:
 - 1. Items given full credit will show as individual line extension.
 - 2. Items currently in the line for which only partial credit has been allowed will be shown as separate line extensions.
 - 3. Old discontinued items receiving partial credit will be included under "Miscellaneous Product".
- c. Manufacturers are expressly forbidden (under the Federal Food, Drug, and Cosmetic Act) from returning expired dated items to customers. Such items returned to Schering will be destroyed. Schering also reserves the right to destroy without credit packages that are unfit or unsafe for sale or do not comply with applicable law.
- d. Consideration will be given to adjustments for losses suffered in a natural disaster (flood, hurricane, tornado, etc.) not covered by insurance. Your Schering representative will be glad to assist you in such emergencies.
- e. Schering representatives are not permitted to modify any of the above policies.
- f. Schering reserves the right to change, alter or amend this policy by giving (30) thirty days notice.

This returned goods policy does not apply to goods returned by persons other than the original wholesaler or hospital purchaser of the goods, or to goods which have been repacked in other than original Schering/Key containers.

EXHIBIT B PRICING

NDC	COMPANY PRODUCT	SIZE	C	ONTRACT	FORMULARY
				PRICE	STATUS*
00085087905	CELESTONE PHOSPHATE INJ	5ML	\$	14.50	LISTED ON FORMULARY
	CELESTONE SOLUSPAN SUSP	5ML		18.55	LISTED ON FORMULARY
	CELESTONE SYR .6MG 4OZ	4	\$	33.00	LISTED ON FORMULARY
	CELESTONE 3TK :0MO 402	100			LISTED ON FORMULARY
	CELESTONE TABLET FACIO	100			LISTED ON FORMULARY
		15GM	1		LISTED ON FORMULARY
	DIPROLENE AF CREAM	50GM			LISTED ON FORMULARY
	DIPROLENE AF CREAM	15GM			LISTED ON FORMULARY
	DIPROLENE GEL	50GM			LISTED ON FORMULARY
	DIPROLENE GEL		\$	21.70	LISTED ON FORMULARY
	DIPROLENE LOTION	30ML			LISTED ON FORMULARY
	DIPROLENE LOTION	60ML			LISTED ON FORMULARY
	DIPROLENE OINTMENT	15GM			LISTED ON FORMULARY
	DIPROLENE OINTMENT	50GM		01.97	LISTED ON FORMULARY
	DIPROSONE CREAM	15GM			LISTED ON FORMULARY
	DIPROSONE CREAM	45GM		42.00	LISTED ON FORMULARY
	DIPROSONE LOTION	20ML	\$	28.61	LISTED ON FORMULARY
00085002806	DIPROSONE LOTION	60ML	\$		LISTED ON FORMULARY
	DIPROSONE OINTMENT	45GM			
	EULEXIN CAPSULES	UD		190.38	LISTED ON FORMULARY
	EULEXIN CAPSULES	500		898.06	LISTED ON FORMULARY
00085052506	EULEXIN CAPSULES	180			LISTED ON FORMULARY
00085022803	FULVICIN P/G 125MG	100		48.11	LISTED ON FORMULARY
00085065403	FULVICIN P/G 165MG	100	\$	69.46	LISTED ON FORMULARY
	FULVICIN P/G 250MG	100	\$		LISTED ON FORMULARY
00085035203	FULVICIN P/G 330MG	100			LISTED ON FORMULARY
00085094803	FULVICIN U/F 250MG	60			LISTED ON FORMULARY
00085094806	FULVICIN U/F 250MG	250		194.31	LISTED ON FORMULARY
00085049603	FULVICIN U/F 500MG	60		78.66	LISTED ON FORMULARY
	FULVICIN U/F 500MG	250		310.25	LISTED ON FORMULARY
00085000805	GARAMYCIN CR 1% 15GM	15		19.10	LISTED ON FORMULARY
00085006904	GARAMYCIN INJ 80MG 25X2ML	80	\$	119.83	LISTED ON FORMULARY
	VLS			1	
00085460202	INSPIREASE	1	\$	17.39	LISTED ON FORMULARY
00085460401	INSPIREASE MOUTHPIECE	144		621.42	LISTED ON FORMULARY
	INSPIREASE REPLACE M-PIECE	1	\$	12.59	LISTED ON FORMULARY
	INSPIREASE REPLACEMENT BAG	144		301.32	LISTED ON FORMULARY
		BAGS			
00085460203	INSPIREASE RESERVOIR BAG	3 BAGS		9.41	LISTED ON FORMULARY
00085057102		2ML		106.56	LISTED ON FORMULARY
00085118402		6 X 0.5ML	\$	191.83	LISTED ON FORMULARY
00085064705		6x1ML	\$	191.83	LISTED ON FORMULARY
00085012002		1ML	\$	53.28	LISTED ON FORMULARY
00085119102		6 X	\$	319.72	LISTED ON FORMULARY
100000110102	"""	0.5ML			•
00085117902	INTRON A 10MIU SOL	6X1ML	\$	639.44	LISTED ON FORMULARY
00005111001		1ML	•	191.83	LISTED ON FORMULARY
00085116801		6MIU/1ML	\$	191.83	LISTED ON FORMULARY
00085028502		5ML	4 -	266.44	LISTED ON FORMULARY
00085020302		10MIU/1M		266.44	LISTED ON FORMULARY
100000110001		L			
00085053901	INTRON A 50MIU	1ML	\$	532.86	LISTED ON FORMULARY
00085035901	INTRON A Solution Multidose Pens	6x10MIU/.		639.44	LISTED ON FORMULARY
100003125401	10MIU	2ml			
i	LOMIO	1 ~	•	•	•

Laggerayage	ITRON A Solution Multidose Pens	l6x3MIU/.2	\$	191,83 LISTED ON FORMULARY
	MIN Solution Minimages Level	mi	•	i
	ITRON A Solution Multidose Pens	6x5MIU/.2	\$	319.72 LISTED ON FORMULARY
	MIU	mi	•	į
	ASONEX NASAL SPRAY	17GM	\$	32,42 LISTED ON FORMULARY
	ITRO-DUR INST .1MG	30	\$	39.39 LISTED ON FORMULARY
00085331035 N		30	\$	39.98 LISTED ON FORMULARY
00085331535 N		30	\$	44.79 LISTED ON FORMULARY
	ITRO-DUR INST .4MG	30	\$	44.79 LISTED ON FORMULARY
	ITRO-DUR INST .6MG	30	\$	48.59 LISTED ON FORMULARY
	ITRO-DUR INST .8MG	30	\$	48.59 LISTED ON FORMULARY
00085028203 O		100		99.75 LISTED ON FORMULARY
	OLARAMINE TABS 2MG	100	\$	43.56 LISTED ON FORMULARY
	ROVENTIL INHALATION	17G	\$	21.98 LISTED ON FORMULARY
	EROSOL			•
	ROVENTIL INHALATION	6.7G	\$	21.17 LISTED ON FORMULARY
1 1	EROSOL			1
	ROVENTIL INHALATION REFILL	17G	\$	19.68 LISTED ON FORMULARY
	EBETRON 1000/MDV	1000	\$	603.24 LISTED ON FORMULARY
	EBETRON 1000/PAK-3	1000		603.24 LISTED ON FORMULARY
	EBETRON 1000/PEN	1000	\$	603.24 LISTED ON FORMULARY
	EBETRON 1200/MDV	1200	\$	666.57 LISTED ON FORMULARY
	EBETRON 1200/PAK-3	1200	\$	666.57 LISTED ON FORMULARY
	EBETRON 1200/PEN	1200	\$	666.57 LISTED ON FORMULARY
	EBETRON 600/MDV	600	\$	494.03 LISTED ON FORMULARY
	EBETRON 600/PAK-3	600	\$	494,03 LISTED ON FORMULARY
	EBETRON 600/PEN	600	\$	494,03 LISTED ON FORMULARY
0000512000311	OLGANAL SUSPENSION	10ML	\$	118.79 LISTED ON FORMULARY
00085001204 T	RILAFON INJ 5MGAMP X100	100		563.40 LISTED ON FORMULARY
00085104901 V	ANCENASE AQ DS	19G		35.11 LISTED ON FORMULARY
	ANCENASE NASAL	7G	\$	29.47 LISTED ON FORMULARY
	OCKETHALER	1		A TOTAL ON FORMULA DV
	ANCERIL INHALER	16.8G	\$	29.08 LISTED ON FORMULARY

^{*} With respect to each Schering Product selected, non-formulary products shall be NDC blocked and/or in a third or higher tier with a co-pay arrangement differential of at least \$15.

SCHERING CORPORATION

RECEIVED

CALLOPING HILL ROAD

KENILWORTH, N. J. 07033

JUL 2 4 1994

CABLES: SCHERING KENILWORTH

TELEX: 138316 138280

TELEPHONE: (908) 298-4000

IIDS AND CUNTRACTS

CHARGEBACK AGREEMENT

CHARGEBACK AGREEMENT, dated as of July 1, 1996, by and among SCHERING CORPORATION, a New Jersey corporation having a place of business at 2000 Galloping Hill Road, Kenilworth, New Jersey 07033 ("Schering"), and HMO Blue, a Massachusetts not-for-profit corporation having a place of business at 260 Cochituate Road, Framingham, MA 01701 ("Healthcare Organization).

WITNESSETH:

Schering manufactures and sells pharmaceutical products and Healthcare Organization is a staff model HMO providing medical, pharmacy and formulary services to its patients; and

This Agreement sets forth the terms and conditions upon which Schering will permit Healthcare Organization to purchase Schering products at a discount if the conditions of this Agreement are satisfied;

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS.

- "Formulary" means a reference book for physicians and pharmacists of Healthcare Organization listing all of the drugs (including the Products) that Healthcare Organization encourages them to prescribe and dispense to Eligible Patients.
- "Net Direct Price" of any Product shall mean the price of such Product published by Schering from time to time as its Net Direct Price for such Product.
- "Prime Vendor" means the relevant wholesale distributor listed as the Prime Vendor for Healthcare Organization on the signature page of this Agreement, or such other wholesale distributor of the Products specified in writing in a notice to Schering by Healthcare Organization which has agreed to participate in Schering's Prime Vendors Program and which is eligible to participate in chargeback arrangements with Schering.

Defendants' Exhibit 2937 01-12257 - PBS

- 4 "Product Category" with respect to any Product means the category or grouping of pharmaceutical products identified as the "Product Category" for such Product on Exhibit A hereto.
- 5 "Products" means those Schering pharmaceutical products set forth on Exhibit A.
- 6 "Report" means a written report, in a format reasonably acceptable to Schering, setting forth the following information for each Product and each other product in each Product Category dispensed by Healthcare Organization grouped by product and Product Category:
 - a. the National Drug Code number for each product dispensed;
 - b. the brand name or description of each such product;
 - the date such product was dispensed;
 - d. the relevant prescription number;
 - e. the physician number of the prescribing physician;
 - f. the quantity of such product dispensed (e.g., the number of ounces, tablets, grams, etc.); and
 - g. such other information as Schering shall reasonably request.

Each report shall also include a summary of utilization of the products in each Product Category which shall list, by Product Category and product, the name of each product, the National Drug Code of such product, the aggregate number of prescriptions written for each product, the aggregate number of units of each product dispensed and the utilization percentage of each product in each Product Category.

7 "Term" means the period commencing on July 1, 1996 and terminating on June 30, 1998 unless sooner terminated as provided by this Agreement.

2. OBLIGATIONS OF HEALTHCARE ORGANIZATION.

1 FORMULARY; UTILIZATION: Healthcare Organization agrees that at all times during the term of this Agreement, all of the Awarded Products shall be listed on the Formulary of Healthcare Organization, (ii) such Formulary shall be distributed by Healthcare Organization to all of its physicians and to all pharmacy departments at

all of Healthcare Organization's (iii) Healthcare Organization will implement Formulary compliance programs at its respective facilities (which may include co-pay incentives, written material, point-of-sale messages and other forms of communications to Healthcare Organization's physicians and pharmacists), (iv) Healthcare Organization shall not engage in any counterdetailing or disincentivizing efforts against any Products, and (v) Healthcare Organization shall promptly notify Schering and all of its physicians and pharmacists, of any additions or changes to the Formulary status of any of the Products and the addition of any new Schering products on the applicable Formulary. In the event and to the extent that discounts contained in Exhibit A are contingent upon exclusive formulary postion, Healthcare Organization further agrees to purchase sufficient quantities of such Product to satisfy not less than ninety percent (90%) of Healthcare Organization's needs of products in the appropriate Product Category for each such Product (i.e., "achieve a 90% utilization rate" for such Products).

- **2 OWN USE**: Healthcare Organization hereby represents and agrees that all Products purchased hereunder shall be solely for its "own use" as defined in <u>Kaiser v. DeModena</u>, 743 F2d 1388 (1984).
- **3 REPORTING**: In the event and to the extent that discounts contained in Exhibit A are contingent upon market share performance, Healthcare Organization shall furnish to Schering within thirty (30) days after the end of each calendar quarter a Report for all Products, and all other products in each Product Category, used or dispensed during such quarter.
- AUDIT: Healthcare Organization agrees to institute and conduct on a regular basis random audits of its physicians and facilities to ensure that actual dispensing of Products complies with the restrictions of Section 2.2 hereof. Adjustments as a result of such audits shall be refunded to Schering no later than thirty (30) days after completion of such audit. Healthcare Organization shall at all times keep and maintain accurate books, records and files with respect to its physicians and facilities (including name, address and telephone number), reports submitted to Schering, random audits under this Section, and all information (including information made available by or to physicians) relating to the prescribing, dispensing, sale, and reimbursement of the Products. Healthcare Organization agrees that Schering shall have the right to conduct inspections and/or audits of Healthcare Organization's books, records, and files from time to time, and that within ten (10) days following Healthcare Organization's receipt of written request from Schering, Healthcare Organization shall make such information (and such other information necessary to confirm such information) available in a manner satisfactory to Schering, for inspection and/or audit by Schering's representatives or its designated auditors during regular business hours. Schering agrees that any such inspections and/or

audits shall be subject to the requirements of state and federal law regarding the confidentiality of medical and prescription records.

5 EXCESS DISCOUNTS: If Schering reasonably determines as a result of an inspection and/or audit of Healthcare Organization its respective physicians and facilities, or any one or more of them, that all or any part of the discounts previously granted by Schering to Healthcare Organization is not required under this Agreement, then Healthcare Organization shall pay to Schering an amount equal to the excess discount granted hereunder to Schering within thirty (30) days of being notified of such excess discounts by Schering.

3. PRICES.

- Organization's satisfaction of the other terms and conditions of this Agreement, including without limitation the provisions of Section 2.1 hereof, and subject further to the provisions of Section 3.2 hereof, Healthcare Organization shall be entitled to purchase each of the Products at the price for such Product set forth on Exhibit A hereto. All such purchases by Healthcare Organization shall be made through the appropriate Prime Vendor and shall be subject to such terms as shall be agreed to or otherwise in effect between Healthcare Organization and Prime Vendor.
- PRICE INCREASES: Anything to the contrary herein notwithstanding, Schering hereby reserves the right to increase the prices for the Products, or any one or more of them, not more often than once in each calendar year, or portion thereof, during the term of this Agreement, except that no increase shall exceed six percent over the then-current price.
- 4. TERMINATION: This Agreement may be terminated by any party for any reason or without reason upon thirty (30) days prior written notice. This Agreement may also be terminated immediately by Schering upon written notice to Healthcare Organization: (a) if either Healthcare Organization commits a material breach of this Agreement which is not cured within ten (10) days after receipt of written notice of same from Schering, (b) in the event of the insolvency, dissolution, liquidation, receivership, bankruptcy or similar reorganization of Healthcare Organization whether voluntary or involuntary, or (c) the enactment of federal, state or local legislation, rules or regulations, or the issuance of an interpretation of existing legislation, rules or regulations, which, in the reasonable opinion of Schering, could have a material adverse impact on Schering and/or any of its affiliates (economic or otherwise) if the Agreement remained in effect unmodified. This Agreement may also be terminated immediately by Healthcare Organization upon written notice to Schering: (a) if Schering commits a material breach of this Agreement which is not cured within ten

(10) days after receipt of written notice of same from Healthcare Organization, (b) in the event of the insolvency, dissolution, liquidation, receivership, bankruptcy or similar reorganization of Schering, whether voluntary or involuntary, or (c) the enactment of federal, state or local legislation, rules or regulations, or the issuance of an interpretation of existing legislation, rules or regulations, which, in the reasonable opinion of Healthcare Organization could have a material adverse impact on Healthcare Organization and/or any of its respective affiliates (economic or otherwise) if the Agreement remained in effect unmodified. Upon any such termination, this Agreement shall terminate in its entirety with respect to all parties.

5. GENERAL PROVISIONS.

- 1 CONFIDENTIALITY: Healthcare Organization shall maintain the confidentiality of all of the terms and conditions of this Agreement throughout the duration hereof and for a period of five (5) years following the effective date of termination or expiration. This covenant shall survive the expiration or termination of this Agreement.
- 2 INDEMNIFICATION: Each party hereto ("Indemnifying Party") shall indemnify and hold harmless each other party, its affiliates, and its and their respective officers, directors, agents and employees from and against any and all liability, loss, proceeding, action, damage, cost or expense of any kind, including without limitation reasonable attorneys fees and expenses, arising out of or based upon the negligent or willful acts or omissions of the Indemnifying Party or its officers, directors, agents or employees.
- **3 NOTICES**: Any notice required or permitted hereunder shall be sent to the addresses set forth on page 1 hereof to the attention of the signatories hereof, by either (a) certified mail, return receipt requested, postage prepaid, or (b) recognized overnight courier service. All notices shall be effective upon receipt.
- 4 COMPLIANCE WITH LAWS: Healthcare Organization shall comply with all applicable laws in connection with this Agreement, including without limitation the reporting requirements and applicable provisions of 42 U.S.C. 1320a-7b. Healthcare Organization represents and warrants that it is licensed as a health plan in each State where such licensure is required.
- **5 FORCE MAJEURE**: Noncompliance with the obligations of this Agreement due to <u>force majeure</u>, laws or regulations of any government, war, civil commotion, destruction of production facilities and materials, fire, earthquake or storm, labor disturbances, shortage of materials, failure of public utilities or common

carriers, and any other causes beyond the reasonable control of the parties, shall not constitute breach of contract.

Agreement without the prior written consent of each non-assigning party. This Agreement shall enure to the benefit of the successors and permitted assigns of each party. This Agreement constitutes the entire Agreement between the parties relating to the subject matter hereof and supersedes all previous agreement between the parties relating to such subject matter. This Agreement may only be changed by a writing executed by the parties. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW JERSEY APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN THAT STATE. This Agreement shall not apply to Products purchased for use, sale or distribution outside of the continental United States, Alaska and Hawaii. Neither party may use any patented, trademarked, service-marked or copyrighted material or any trade name of the other party without prior written permission.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SCHERING CORPORATION

Name: Cardyn Heinl Kores Title: Sr Mar, Contacts fricing

HMO Blue

Name: Title:

Director of Pharmay, HCD

Gary J. KeRR



260 Cochituate Road Framingham, MA 01701-4608

TEL (508) 370-3040

BLUE CROSS BLUE SHIELD MA HEALTH CENTER DIVISION WHOLESALERS

James Brudnick Company 219 Medford Street Malden, MA 02148 DEA # PJ 0115394 Phone: (617) 321-6800 Fax: (617) 397-9576 Contact: Scott Brody

Cardinal Health
11 Centennial Drive
P.O. Box 60411
Peabody, MA 01961-6041
DEA # PD 0025141
Phone: (508) 532-6900
Fax: (508) 532-6916
Contact: Joan Vaiknoras

PRIME VENDOR: (Primary) Name:	(Secondary)	
Address:	Name: Address:	
Telephone:	Telephone:	
FAX:	FAX:	

<u>HMO BLUE</u> <u>7/1/96 THROUGH 6/30/98</u> <u>SCHERING OFFER# 0960131</u>

PRODUCT	NDC	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE
ALBUTEROL				
PROVENTIL				
INHALER	0614-02	17G	18.95	BN
INHALER REFILL	0614-03	17G	18.95	BN
SYRUP	0315-02	473ML	29.57	AA
PROVENTIL TABLETS				
2MG	0252.02	100	00.00.1/	
ZMO	0252-02 0252-03	100	32.99	AB
4MG	0232-03	500 100	156.81	AB
	0573-02	500	49.23 234.16 /	AB AB
	0010 00	500	254.10	AB
PROVENTIL REPETABS			<i>,</i> ·	
4MG	0431-02	100	55.30	
	0431-03	500	268.41	
	0431-04	U/D 100	69.25	
PROVENTIL SOL FOR INHALE	D		arn a	<i>,</i>
0.5%	0208-02	20ML	1410 849	W
0.083% UNIT DOSE	0208-02	25 X 3ML	14.13	AN AN
0.003 % 01411 100112	0209-01	23 X 3MIL	32.28	AN
AUROTHIOGLUCOSE SUSPENSION			ż	
SOLGANAL SUSPENSION	0460-03	10ML	105.23	
AZATADINE MALEATE, USP &				
<u>PSEUDOPHERINE</u>				
OPTIMINE TABLETS	0282-03	100	70.07	
Of Third Parkers	0202-03	100	79.37 🗸	
AZATADINE MALEATE & PSEUDOPHEDRINE SULFATE				
TRINALIN REPETABS	0703-04	100	83.08	
BECLOMETHASONE DIPROPRIONA	TE	** Pricing re	equires excl	usive Formulary status
// VANCENASE NASAL INHALER	0041-06			/
VANCENASE AQ PUMP	0259-02	25GM	16.90 **	DNI
VANCERIL INHALER	0736-04	16.8G	-22.06 VOT AVA	BN - Lu godant
BETAMETHASONE				
CELESTONE				
PHOSPHATE INJ.	0879-05	5ML	12 70 V	AD
SOLUSPAN SUSP.	0566-05	5ML 5ML	13.78 V 17.63	AP
	VJ00-0J	JITLL	17.05 E	

<u>HMO BLUE</u> <u>7/1/96 THROUGH 6/30/98</u> <u>SCHERING OFFER# 0960131</u>

			00101	
PRODUCT	<u>NDC</u>	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE
BETAMETHASONE DIPROPRIONA	ATE (AUGMI	ENTED) * wh	en avoidabl	CUTC
DIPROLENE				
	20.44.04			
LOTION 0.05%	0962-01	30ML	23.15	
	0962-02	60ML	45.63	
C77 WW . O . O			Ja ***	
OINT, 0.05%	0575-02	15G	20.18 🛴 ,	H
	05750	5 506	47,45 * 0	XI V
			1 1 1 1 1	
GEL 0.05%	0634-01	15G	20.18 v	
	0634-03		17 H	J.
	0027		A 1. 22	,
DIPROLENE AF				
CREAM	0517-01	15G	20.10	m 3 promi
A			20.18 × C.K	
	0517-04	506	47.45	Land Comment
BETAMETHASONE DIPROPRIONA	9000			
DETAMETHASONE DIPROPRIONA	<u>1E</u>			
DIPROSONE				
AEROSOL 0.1%	0.455.04			
ALKOSOL V.1%	0475-06	85G	18.46 🗸	
CDTAROOS			part .	
CREAM 0.05%	0853-02	15G	18.46	AB
	0853-03	45G	33.91 🗸	AB
LOTION 0.05%	0028-04	20ML	22.73	AB
	0028-06	60ML	44.80 🗸	AB
			, · · · · · · · · · · · · · · · · · · ·	
OINT. 0.05%	0510-04	15G	18.46	AB
	0510-06	45G	33.91	AB
			55.71 9	AD
CEFTIBUTEN				
				•
CEDAX				,
ORAL SUSPENSION			_	148
90MG/5ML	0777 02	202 67	17 40	$_{0}N^{\circ}$ \langle
90MG/5ML	0777-03	30ML	17.48	1.6
	0777-01	60ML	22.72	18. 48 mg
90MG/5ML	0777-02	120ML	45.82	1 19 19 19 1
CDD 1 V				W / N
CEDAX				5 1
CAPSULES			1/	Jakien Waller
400MG	0691-01	20'S	94.76	(10)
400MG	0691-02	100'S	167.66 ₹	a \b
400MG/(10X4)	0691-03		192.83	•
CLOTRIMAZOLE				
				 /
LOTRIMIN			,	N
CREAM	0613-02	15G	971	AT
	0613-02	30G	9.71 17.29 20.99	
. 1/ /	0613-03	JUG 45C	20.00	AT Am
(W13-04	45G	20.99	AT
/ P' W				17
MOV.				U
hmoblu 4 ^v	2			6/4/96
hmoblu Show	₽			U 7 1 7 U

	0,00101				
PRODUCT	NDC	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE	
LOTION	0707-02	30ML	18.61	AT	
SOLUTION	0182-02 0182-04	10ML 30ML	8.55 17.78	AT AT	
CLOTRIMAZOLE & BETAMETHASONE DIPROPRIONA	<u>re</u>				
LOTRISONE					
CREAM	0924-01	15G	15.86 V		
DEXCHLORPHENIRAMINE MALEA	TE, USP				
POLARAMINE			,		
EXPECTORANT	0268-05	473ML	47.38		
REPETABS 4MG	0005.00	400	//		
	0095-03	100	59.11		
6MG	0148-03	100	82.63 V		
SYRUP	0016-05	473ML	36.74 🗸	AA	
TABLETS (2MG)	0820-03	100	34.63 🗸	AA	
DIAZOXIDE		.			
HYPERSTAT					
300MG	0201-05	20ML	81.53	AP	
DRUG DELIVERY SYSTEM					
INSPIREASE			/		
Kit (1 Mthpc/3 Bags)	4602-02	1	15.44		
Replacement Bags	4602-03	3	8.33		
Replacement Bags	4602-70	144	268.06		
Replacement Mouthpieces	4604-01	144	552.92		
Replacement Mouthpiece	4604-02	1	11.15		
ETHINYL ESTRADIOL					
ESTINYL TABLETS			•		
.02MG	0298-03	100	26.53		
	0298-06	250			
	0070-03		62.45		
•		100	44.74	BP	
	0070-06	250	104.48	BP	
.JIVIO	0150-03	100	90.49 🗸		

PRODUCT	NDC	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE
<u>FLUPHENAZINE</u>				
PERMITIL				
CONCENTRATE	0296-05	118ML	64.78 🗸	AA
TABLETS	0230 00	1101/115	04.70 /	AA
2.5MG	0442-04	100	90.65	
5MG	0550-04	100	121.03	
10MG	0316-05	1000	1,436.57	
	0310-03	1000	1,450.57	//
<u>FLUTAMIDE</u>				
The Thirties				1 60% N
EULEXIN CAPSULES	0525-06	180	243.20-	λ
ECLEAN CAISCLES	0525-05	500		
	0525-03		675.84 🗸	/\ ' ' / '
GRISEOFULVIN	0525-03	100 U/D	143.19 —	
GRISEOFULVIN				\
ETIT VICONI DIO (TIL				
FULVICIN P/G (Ultramicrosize) 125MG	0000 00	100	20.00	
	0228-03	100	38.27	AB
165MG	0654-03	100	55.26	AB
250MG	0507-03	100	75.12	AB
330MG	0352-03	100	95.39 🗸	AB
ETH VICINITIE (M.C.,				
FULVICIN U/F (Microsize) 250MG	0040.02	40	00.45	
230MG	0948-03	60	39.15	AB
5001.6C	0948-06	250	154.66	AB
500MG	0496-03	60	62.58	AB
	0496-06	250	246.98 🔑	AB
INTERFERON ALFA-2B				
<u> </u>				
INTRON A				
3 MIL IU	0647-03	1ML	26.57	,
3 MIL IU SYRINGE	0647-04	1ML	26.57 —	,
3 MIL IU SYRINGE PAK	0647-05	1ML X 6	159.63	•
5 MIL IU	0120-02	1ML	44:31 -	
5 MIL IU SYRINGE PAK	0120-05	1ML X 6	266.10 —	
10 MIL IU	0571-02	2ML	88.67	
10 MIL IU SYRINGE PAK	0571-06	2ML X 6		
10 MIL IU SOLUTION	0923-01	2ML A 0	532.25 — 88.67 —	<i>y</i> .
18 MIL IU	1110-01	1ML	159.63	·
18 MIL IU SOLUTION	0953-01		150.62	
25 MIL IU		3ML	159.63	
	0285-02	5ML	221.75	•
25 MIL IU SOLUTION	0769-01	5ML	221.75 —	
50 MIL IU	0539-01	1ML	443.52 —	

PRODUCT	NDC	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE
LABETALOL				
NORMODYNE INJECTION				
20ML VIAL	0362-07	20ML	26.80	AP
40ML VIAL	0362-06	40ML	51.91	AP AP
4ML SYRINGE	0362-08	4ML	11.57	Ar
8ML SYRINGE	0362-09	8ML	17.36	
NORMODYNE TABLETS				
100MG	0244-04	100	36.90	AB
	0244-05	500	175.09	AB
	0244-07	1000	322.87	AB
	0244-08	U/D 100	39.19	AB
200MG	0752-04	100	52.35	AB
	0752-05	500	248.68	AB
	0752-07	1000	458.41	AB
	0752-08	U/D 100	54.63	AB
300MG	0438-03	100	69.63	AB
	0438-05	500	330.68	AB
	0438-06	U/D 100	71.93	AB
LORATADINE				1 H
<u>CLARITIN</u>			į	10
10MG	0458-01	14	- 28.87 Z	
	0458-03		155.06	
	0458-04		155.06	
	0458-06	500 😥	775.27	
	0458-05	30	46.52	
MOMETASONE FUROATE				
ELOCON			,	
CREAM	0567-01	15G	12.94	
	0567-02	45G	24.89	
LOTION	0854-01 0854-02	30ML 60ML	14.02 / 26.76 /	
	000.02	001,123	20.70 9	
OINTMENT	0370-01	15G	12.94	
	0370-02	45G	24.89	
NETILMICIN SULFATE				
NETROMYCIN INJECTION 150MG VIAL	0264-02	10 x 1.5ML	111.91	

PRODUCT	NDC	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE
<u>NITROGLYCERIN</u>				
NITRO-DUR TRANSDERMAL			<i>,</i>	
.1MG/HR	3305-35	30 patches	33.83	
.2MG/HR	3310-35	30 patches	34.34	
.3MG/HR	3315-35	30 patches	38.48	
.4MG/HR	3320-35	30 patches	38.48	
.6MG/HR	3330-35	30 patches	41.73	
.8MG/HR	0819-35	30 patches	41.73	
<u>PERPHENAZINE</u>				
TRILAFON CONCENTRATE	0363-02	118ML	31.77	-
TRILAFON INJECTION 5MG/ML	0012-04	100 X 1ML	473.44	
TRILAFON TABLETS			parent.	
2MG	0705-04	100	55.81	AB
4MG	0940-05	100	76.37	AB
8MG	0313-05	100	92,68 🗸 🦯	AB
16MG	0077-05	100	124.69	AB
PERPHENAZINE & AMITRIPTYLINE	·			
ETRAFON				
TABS (2-10)	0287-04	100	58.66	BP
	0287-08	U/D 100	61.86	ВР
ETRAFON			/	
TABS (2-25)	0598-04	100	74.61 V	BP
	0598-08	U/D 100	77.74 V	BP
ETRAFON FORTE			/	
TABS (4-25)	0720-04	100	81.04 🗸	BP
	0720-08	U/D 100	84.23	BP
POTASSIUM CHLORIDE				
K-DUR TABS			,	
	0263-01	100	18.79	
10MEQ	0263-81	100 U/D	19.47 V	
	0787-01	100	32.56	
20MEQ	0787-81	100 U/D	35.28	

PRODUCT	NDC	DESCRIPTION	PRICE	THERAPEUTIC EQUIVALENCE CODE
				EVOLUTION COOL
SULFACETAMIDE SODIUM				
SODIUM SULAMYD			/	
OPHTH, OINT, 10%	0066-03	3.5G*	13.72	AT
OPHTH, SOL, 10%	0946-03	25 X 5ML	327.88	AT
	0946-06	15ML	16.77	AT
OPHTH, SOL, 30%	0717-06	15ML	17.79	AT
* MAY BE PURCHASED ONLY				
THEOPHYLLINE ANHYDROUS				
THEO DID GA DADG				
THEO-DUR S/A TABS 100MG	0487-01	100	1001	
TOOMG	0487-01	100 500	15.21	✓ AB
			71.69	AB
	0487-10	1000	138.81	AB
	0487-50	5000	655.98	AB
	0487-81	U/D 100	22.79 🗸	AB
200MG	0933-01	100	22.65	AB
	0933-05	500	106.79	AB
	0933-10	1000	201.66	AB
	0933-50	5000	978.64	AB
	0933-81	U/D 100	28.25	AB
		0.00		
300MG	0584-01	100	26.90 🗸	AB
	0584-05	500	126.83	AB
	0584-10	1000	245.42	AB
	0584-50	5000	1161.76	AB
	0584-81	U/D 100	33.63	AB
	• • •		/	• •
450MG	0806-01	100	35.72 🗸	
	0806-81	U/D 100	44.66	
THE OPING I INT. A MITTER OF THE TAXABLE PROPERTY.	GNIDED DY	7F 77 4 CV7		
THEOPHYLLINE ANHYDROUS EXT	<u>ENUEU-KI</u>	LLEASE		

THEOPHYLLINE ANHYDROUS EXTENDED-RELEASE

UNI-DUR TABS		
400MG	0694-01	100
600MG	0814-01	100

